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SUBJECT: MEDIA REACTION; ARGENTINE COUNTRY-RISK; IMPACT OF THE WORLD
FINANCIAL CRISIS ON ARGENTINE ECONOMY; 08/17/07

1. SUMMARY STATEMENT

Key international stories today are related to the impact of Argentine-Venezuelan ties on Argentina's country-risk ratings; and business expectations about the next Argentine Government's economic policy.

2. OPINION PIECES AND EDITORIALS

- "(Argentina's) country-risk and corruption"

Fernando Laborda, chief editorialist of daily-of-record "La Nacion," comments (08/17) "From the moment the suitcase scandal was made public, the Argentine Government decided to convince the public that the Argentine authorities were betrayed in their good faith. In other words, that there are no thieves in the Argentine Government, but at most clumsy people.

"With Hugo Chavez's expected decision to fire PDVSA VP..., Argentine authorities believe they have made progress on their strategy. Cabinet Chief Alberto Fernandez said: 'This resignation is the most conclusive evidence that we told the truth.'

"Whether Fernandez likes it or not, the case will not end up here. No one believes it is enough that the Argentine Government distanced itself from the alleged person responsible for having let the 'suitcase Mr.' board and that the Argentine Venezuelans followed suit with the PDVSA official...

"The final destination of the almost 800,000 dollars Antonini brought remains uncertain, as well as how many other dollar-filled suitcases he brought on previous trips to Argentina and why a state company without any profits, such as Enarsa, wastes our money in luxurious chartered flights for two government officials and their invitees.

"There is something as serious as the facts already mentioned - the awareness of the close partnership between Chavism and Kirchnerism has started to spread around the world. Now, that international financial panic prevails and capitals are scared away from emerging markets, the image of the Kirchner-Chavez partnership only help to scare away investors from Argentina even further.

"Most of Argentine society, particularly after the suitcase scandal, does not fully understand the benefits of this relationship. It is true that the Chavez administration lends money to Argentina, but at an annual rate of 10.6 per cent in dollars, which is twice as much as the IMF rate. To make matters worse, today our country risk is greater than the one we had during the first months of the de la Ra administration."

- "In face of the crisis, the (Argentine) Government confirms its economic model"

Marcelo Bonelli, economic columnist of leading "Clarín," writes (08/17) "Kirchner made the decision on Tuesday night - in view of the international (financial) crisis, that Argentina will deepen its current economic model. The President has also confirmed that the Central Bank's monetary-exchange policy will aim to put a brake on the impact of the financial 'earthquake' on the local economy.

"... Now, the Government believes that the USG considers the crisis will last between three to six months at most. In other words, that there will be another negative international financial scenario during the pre-election period and the beginning of the new (Argentine) Government... The Argentine Government opines that the crisis is larger due to lack of G7 leadership, which has been a recurrent problem. Kirchner has been working with an internal report which anticipates possible disagreement within the G7 about the way central banks are intervening.

"Europe and Japan are convinced that the intervention should be strong in order to tame the crisis and as a matter of fact they have acted accordingly for several days. Instead, the White House wants banks and investors to pay the costs of their speculation with major losses and it wants to use the crisis to adjust the international economy...

"... Businessmen insist that the international economic climate will be different when the next Argentine Government takes power and that the future president will have to immediately solve a series of issues. A document circulating among top-ranking bankers conveys that in the event Cristina Kirchner is elected president, she will be made to face and immediately solve the following issues: increased public service rates...; put the National Statistics Institute (INDEC) on a sound track; acknowledge the country's energy

crisis and implement a contingency plan; renegotiate the country's debt to the Paris Club and rationalize the debt with holdout bondholders."

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